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E.O. 11652: N/A

TAGS: ENRG, OECD

SUBJECT: U.S. PROPOSALS FOR THE WORK PROGRAM FOR LONG-TERM COOPERATION IN INTERNATIONAL ENERGY AGENCY FOLLOWING IS PAPER TABLED BY U.S. AT NOV. 18 IEA GOVERNING BOARD ON WORK PROGRAM FOR LONG-TERM COOPERATION IN INTERNATIONAL ENERGY AGENCY: BEGIN TEXT

OVER THE PAST SEVERAL MONTHS' WE HAVE CONCENTRATED ON THE NEGOTIATION OF THE EMERGENCY PROGRAM AND THE CREATION OF AN INSTITUTIONAL STRUCTURE FOR OUR CONTINUING COOPERATION ON ENERGY. WE MUST NOW MOVE IMMEDIATELY TO DEVELOP A WORK PROGRAM TO MEET OUR LONG-TERM OBJECTIVE OF REDUCING OUR DEPENDENCE ON IMPORTED OIL.

THE ELABORATION AND IMPLEMENTATION OF A MEANINGFUL COOPERATIVE PROGRAM' BRINGING NATIONAL PROGRAMS INTO A COMMON FRAMEWORK, WILL HAVE TWO MAJOR BENEFITS:

- IT WILL REINFORCE NATIONAL EFFORTS' PROVIDING AN OPPORTUNITY TO WORK FOR EQUITABLE BURDEN SHARING AND PERHAPS ENABLING GOVERNMENTS TO PURSUE MORE EFFECTIVE NATIONAL PROGRAMS;
- IT WILL PROVIDE VISIBLE EVIDENCE OF OUR COLLECTIVE DETERMINATION TO REDUCE DEPENDENCY ON IMPORTED OIL, THUS HELPING TO CREATE THE OBJECTIVE CONDITIONS NECESSARY TO RESTORE REASONABLE PRICE EQUILIBRIUM ON THE

INTERNATIONAL OIL MARKET.

IN ORDER TO BEGIN GIVING SUBSTANCE TO OUR COMMITMENT TO REDUCE DEPENDENCY, WE REQUIRE IMMEDIATE ACTION IN TWO AREAS:

- ESTABLISHMENT OF A CONCRETE FRAMEWORK OF COOPERATION, INCLUDING AGREEMENT ON GUIDING PRINCIPLES AND THE ESTABLISHMENT OF PROCEDURES FOR THE REGULAR REVIEW AND COORDINATION OF OUR NATIONAL ENERGY POLICIES AS THEY RELATE TO OUR COMMON GOAL OF REDUCED DEPENDENCE, AND

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- PROMPT IMPLEMENTATION OF A JOINT WORK PROGRAM, INCLUDING JOINTLY CONCEIVED AND FINANCED PROJECTS AND COMMON PROGRAMS WHICH TIE TOGETHER NATIONAL ACTIVITIES UNDER A COMMON SET OF GOALS AND GUIDELINES.

THESE ARE EQUALLY URGENT, AND OUR WORK ON THEM SHOULD PROCEED SIMULTANEOUSLY. THE AIM OF OUR EFFORTS SHOULD BE TO USE THE IEA AS A FORUM FOR DEVELOPING

COORDINATED NATIONAL POLICIES. IT SHOULD NOT BE OUR AIM TO CREATE A LARGE, CUMBERSOME INTERNATIONAL BUREAUCRACY CHARGED WITH MANAGING AMBITIOUS INTERNATIONAL PROGRAMS.

I. FRAMEWORK OF COOPERATION

A. GUIDING PRINCIPLES: DESPITE OUR COMMITMENT TO THE OBJECTIVE OF REDUCING DEPENDENCE ON IMPORTED OIL, WE LACK A CONCEPTUAL FRAMEWORK FOR OUR CONTINUING COOPERATION ON ENERGY. WE NEED IN EFFECT AN AGREED SET OF GUIDING PRINCIPLES WHICH WILL SERVE AS A FRAME OF REFERENCE FOR BOTH THE REVIEW AND COORDINATION OF NATIONAL POLICIES AND THE IMPLEMENTATION OF JOINT PROJECTS AND PROGRAMS.

IN OUR VIEW, THESE COMMON PRINCIPLES SHOULD INCLUDE AGREEMENT ON THE NEED:

1. TO REDUCE OUR DEPENDENCE ON IMPORTED OIL BY ADOPTING:
 - PROGRAMS TO ENCOURAGE CONSERVATION AND THE EFFICIENT UTILIZATION OF ENERGY; AND
 - MEASURES TO ENCOURAGE THE ACCELERATED DEVELOPMENT OF INDIGENOUS ENERGY RESOURCES, CONSISTENT WITH NATIONAL OBJECTIVES OF ECONOMIC EFFICIENCY AND EQUITY, ENVIRONMENTAL PROTECTION, AND NATIONAL

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SECURITY.

2. TO FACILITATE INTERNATIONAL INVESTMENT AND
TRADE IN ENERGY BY PLEDGING:
-- TO ELIMINATE UNDESIRABLE IMPEDIMENTS
TO ENERGY-RELATED TRADE AND INVESTMENT;
AND
-- TO ASSURE THE INTEGRITY OF INVESTMENTS
AND CONTRACTS
3. TO PROMOTE THE CONTINUED DEVELOPMENT OF NEW
SOURCES OF ENERGY OUTSIDE THE TERRITORIES OF
THE PARTICIPATING MEMBERS BUT WHICH WILL ADD
TO WORLD SUPPLIES AND TOTAL GROUP SECURITY
4. TO INVESTIGATE PROGRAMS OF COOPERATION
DESIGNED TO SHARE THE COSTS AND ECONOMIC

RISKS OF THE ACCELERATED DEVELOPMENT OF
ALTERNATIVE SOURCES OF ENERGY SUPPLY,
INCLUDING:

-- ARRANGEMENTS TO SHARE IN DEVELOPMENT
AND INVESTMENT COSTS OF NEW ENERGY
SOURCES AND PROCESSES; AND

-- ARRANGEMENTS TO ASSURE INVESTORS OF
SOME MINIMUM RETURN ON THEIR INVEST-
MENTS AND TO SHARE THE COSTS OF SUCH
INVESTOR ASSURANCES

5. TO CONSULT WITH EACH OTHER IN A TIMELY
FASHION WHEN ENERGY-RELATED POLICIES
THAT AFFECT OTHER MEMBERS OF THE GROUP
ARE PROPOSED FOR NATIONAL ADOPTION.

B. TARGETS: WE SHOULD ALSO PROCEED IMMEDIATELY TO
ESTABLISH A SERIES OF IEA TARGETS AGAINST WHICH WE CAN
MEASURE OUR PERFORMANCE AS A GROUP AND AS INDIVIDUAL
COUNTRIES. WE BELIEVE THESE SHOULD INCLUDE: AN OVERALL
GROUP TARGET FOR THE REDUCTION OF DEPENDENCE ON IMPORTED
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OIL OVER THE NEXT DECADE AND COMPLEMENTARY TARGETS FOR A
REDUCTION IN THE RATE OF GROWTH OF ENERGY CONSUMPTION
RELATIVE TO ECONOMIC GROWTH AND FOR INCREASING THE
SUPPLY OF ENERGY WITHIN THE GROUP.

C. REVIEW OF NATIONAL POLICIES: WE SHOULD
PROMPTLY ESTABLISH A REGULAR PROCEDURE FOR REVIEW OF THE
NATIONAL ENERGY POLICIES OF THE MEMBER COUNTRIES AS THEY
RELATE TO OUR COMMON GOALS. THE GUIDING PRINCIPLES AND
TARGETS WOULD PROVIDE A FRAMEWORK AGAINST WHICH
NATIONAL PROGRAMS COULD BE EVALUATED. THIS PROCESS OF
CONSTRUCTIVE CONFRONTATION WOULD TAKE PLACE WITHIN THE
STANDING GROUP ON LONG TERM COOPERATION. THE STANDING
GROUP WOULD FORWARD ITS COMMENTS AND RECOMMENDATIONS TO
THE GOVERNING BOARD.

THE STANDING GROUP SHOULD PROCEED IMMEDIATELY TO
DEVELOP THIS OVERALL FRAMEWORK OF GUIDING PRINCIPLES,
TARGETS AND REVIEW OF NATIONAL POLICIES AND SUBMIT ITS
REPORT AND RECOMMENDATIONS TO THE GOVERNING BOARD BY
JANUARY 31, 1975.

II. IMMEDIATE WORK PROGRAM

WE MUST ALSO MOVE IMMEDIATELY TO DEVELOP AND PLACE
IN MOTION A COOPERATIVE WORK PROGRAM. THERE ARE SEVERAL
AREAS IN WHICH A COOPERATIVE APPROACH WILL YIELD
IMMEDIATE BENEFITS.

A. CONSERVATION: WE BELIEVE THAT WE MUST
IMMEDIATELY DEVELOP A BROAD AGENCY PROGRAM IN THE AREA

OF ENERGY CONSERVATION. WE PROPOSE THAT THIS PROGRAM
INCLUDE:

1. NATIONAL PROGRAMS THAT WILL COLLECTIVELY
REDUCE OUR IMPORTS OF OIL BY THE END OF 1975 BY
3 MILLION BARRELS A DAY FROM THE LEVEL THEY WOULD
OTHERWISE HAVE REACHED. MANY OF OUR GOVERNMENTS HAVE
EITHER ANNOUNCED OR ARE NOW DEVELOPING DEMAND RESTRAINT
PROGRAMS ALONG THIS LINE. ALL SAVINGS MEASURES (FROM
TAX INCREASES, PRICE DECONTROL, FUEL SWITCHING, AND
VOLUNTARY SAVINGS TO ADMINISTRATIVE OR RATIONING

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PROGRAMS) SHOULD BE INCLUDED. WE SHOULD ASSESS COLLECTIVELY THESE NATIONAL PROGRAMS, NEGOTIATE THEIR INTENSIFICATION WHERE POSSIBLE AND APPROPRIATE, AND PRESENT THE TOTAL PROJECTED SAVINGS OF IMPORTED OIL AS A GROUP FORECAST.

THIS PROGRAM WOULD HAVE A SHORT-TERM THRUST AND WOULD BE PRESENTED AS AN IEA RESPONSE TO THE URGENT NEED TO LIMIT OUTLAYS FOR EXPENSIVE IMPORTED OIL.

2. A LONGER-TERM GROUP PROGRAM FOR REDUCING THE RATE OF GROWTH OF ENERGY CONSUMPTION. WE SHOULD BUILD UPON NATIONAL PROGRAMS, REINFORCING THEM WHEN NECESSARY THROUGH THE PROCESS OF POLICY CONFRONTATION AND NEGOTIATION. THE COOPERATIVE EFFORT IN SUPPORT OF THIS TARGET WOULD INCLUDE EXCHANGES OF CONSERVATION TECHNOLOGY, POSSIBLE JOINT R & D PROJECTS IN THE CONSERVATION AREA, ETC. HERE AGAIN, INDIVIDUAL GOVERNMENTS SHOULD FIND IT EASIER TO TAKE THE DIFFICULT POLITICAL DECISIONS NECESSARY TO CHANGE PATTERNS OF ENERGY UTILIZATION IF NATIONAL MEASURES CAN BE TAKEN WITHIN A

MULTILATERAL FRAMEWORK.

3. A COOPERATIVE EFFORT TO LIMIT THE ADVERSE ECONOMIC IMPACT OF ENERGY CONSERVATION MEASURES. WE PROPOSE A MEETING OF EXPERTS EARLY NEXT YEAR TO EVALUATE AND COLLATE INFORMATION ON TECHNIQUES OF ENERGY CONSERVATION AND TO FORMULATE RECOMMENDATIONS ON THE AVOIDANCE OF ADVERSE SIDE EFFECTS ON NATIONAL ECONOMIES.

B. DEVELOPMENT OF NEW ENERGY SUPPLIES: CONSERVATION OFFERS THE MOST IMMEDIATE BENEFIT IN TERMS OF LIMITING OUR DEPENDENCE ON IMPORTED OIL. HOWEVER' WE LIMITED OFFICIAL USE

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MUST ALSO BEGIN NOW TO TAKE THE NATIONAL AND INTERNATIONAL DECISIONS NECESSARY TO ENSURE THAT WE DEVELOP TO THE MAXIMUM OUR INDIGENOUS ENERGY RESOURCES OVER THE NEXT DECADE. WE NEED TO ENSURE THAT THERE IS ADEQUATE ECONOMIC INCENTIVE FOR INVESTMENT IN AND DEVELOPMENT OF NEW INDIGENOUS ENERGY AND THAT WE ARE ALL FOLLOWING NATIONAL POLICIES IN THIS AREA WHICH SUPPORT OUR COMMON GOAL OF REDUCED DEPENDENCY ON IMPORTED OIL. WE PROPOSE THAT OUR IMMEDIATE WORK PROGRAM INCLUDE:

1. CREATION OF A COMMON FUND TO FINANCE AND/OR GUARANTEE INVESTMENTS IN THE DEVELOPMENT OF NEW ENERGY. THE PURPOSE OF THIS FUND WOULD BE TO ENSURE THAT A SHORTAGE OF CAPITAL IS NOT A CONSTRAINT IN THE DEVELOPMENT OF NEW ENERGY SUPPLIES AND TO PERMIT PARTICIPATION BY MEMBER COUNTRIES IN THE DEVELOPMENT OF ENERGY RESOURCES IN OTHER MEMBER COUNTRIES. IT WOULD SUPPLEMENT RATHER THAN REPLACE PRIVATE AND INDIVIDUAL GOVERNMENT FINANCING. WE SHOULD BEGIN PROMPTLY IN THE STANDING GROUP ON LONG-TERM COOPERATION TO EXAMINE THE STRUCTURE, OPERATION, CRITERIA FOR THE SELECTION OF PROJECTS, AND FINANCING OF THE PROPOSED FUND, ETC.

2. A COMMON APPROACH TO THE PROBLEM OF PROTECTING INVESTMENTS IN NEW ENERGY RESOURCES AGAINST THE POSSIBLE THREAT OF A DECLINE IN THE PRICE OF IMPORTED OIL. THIS IS A COMPLEX PROBLEM BUT ONE WHICH WE MUST ADDRESS IF WE ARE TO REDUCE DEPENDENCY ON IMPORTED OIL. WE MUST TAKE ACCOUNT OF THE FACT THAT WHILE SOME OF US HAVE LARGE UNDEVELOPED ENERGY RESOURCES, THE DEVELOPMENT OF THESE RESOURCES WILL BE VERY COSTLY. THE RATE AT WHICH THE ENERGY RICH COUNTRIES DECIDE TO DEVELOP THESE RESOURCES--AND THUS REDUCE THE DEPENDENCY OF THE ENTIRE GROUP, AND EVENTUALLY BRING ABOUT A LOWER EQUILIBRIUM PRICE FOR OIL IN THE WORLD MARKET--MAY DEPEND HEAVILY ON THE EXTENT TO WHICH INVESTORS WILL FACE COMPETITION FROM

IMPORTS WHEN INTERNATIONAL PRICES FAIL.

WE SHOULD BEGIN IMMEDIATELY A COMPREHENSIVE
STUDY OF THIS ISSUE AND POSSIBLE AREAS OF COOPERATIVE
ACTION. ONE APPROACH WHICH WE BELIEVE PROMISING WOULD
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ENTAIL AGREEMENT THAT NO ONE OF US WOULD PERMIT SALE OF
OIL IMPORTED FROM OUTSIDE THE GROUP ON ITS DOMESTIC MAR-
KET AT LESS THAN A COMMON AGREED PRICE OVER A PERIOD OF
SAY 10 YEARS. EACH COUNTRY COULD PUT THIS COMMITMENT
INTO EFFECT AS IT CHOOSES THROUGH TARIFFS, VARIABLE LE-
VIES, AND DEFICIENCY PAYMENTS. WE WOULD FIX THE PRICE AT
WHICH IMPORTS COULD COMPETE WITH DOMESTIC ENERGY, PROVIDE
PROTECTION FOR OUR INVESTORS, BUT REMAIN FREE TO CAPTURE
THE BALANCE OF PAYMENTS BENEFITS OF THE DECLINE IN THE
WORLD PRICE OF OIL.

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THIS APPROACH WOULD BE COORDINATED WITH THE
PROCEDURE FOR SETTING TARGETS ON OUR FUTURE EXPERIENCE.
ONE INDEED, IMPLIES THE OTHER. FROM A GIVEN PRICE LEVEL
CAN BE DERIVED A PROBABLE RANGE OF DEPENDENCY; FROM A
GIVEN DEPENDENCY TARGET CAN BE DERIVED THE RANGE OF
PRICES REQUIRED TO ACHIEVE IT.

3. ANNUAL IEA REVIEW OF THE POLICIES OF PARTICIPATING COUNTRIES RELATED TO THE DEVELOPMENT OF NEW ENERGY. WE PROPOSE THAT WE ESTABLISH WITHIN THE STANDING GROUP ON LONG-TERM COOPERATION A REGULAR PROCEDURE FOR REVIEW OF NATIONAL POLICIES, MEASURING THEM AGAINST THE GUIDING PRINCIPLES AND COMMON POLICIES.

C. RESEARCH AND DEVELOPMENT: A MAJOR IEA EFFORT IN ENERGY R AND D OFFERS BOTH REAL BENEFITS TO OUR LONGER TERM ENERGY BALANCE AND VISIBLE EVIDENCE OF OUR

COMMITMENT TO COOPERATIVE ACTION. THEREFORE, WE PROPOSE THE FOLLOWING:

1. ESTABLISHMENT OF A PERMANENT R AND D GROUP COMPOSED OF SENIOR OFFICIALS FROM THE IEA MEMBER COUNTRIES. THIS GROUP WOULD BE AUTONOMOUS, BUT ITS OVERALL PROGRAM SHOULD BE COORDINATED BY THE STANDING GROUP ON LONG-TERM COOPERATION TO ENSURE THAT OUR R AND D ACTIVITIES ARE FULLY CONSISTENT WITH OUR COMMON OBJECTIVES. THE R AND D GROUP WOULD BE CHARGED WITH FORMULATING JOINT PROJECTS, OVERSEEING THE IMPLEMENTATION OF THESE PROJECTS, ASSURING THE COORDINATION OF ONGOING JOINT PROJECTS IN OTHER ORGANIZATIONS AMONG THE MEMBER COUNTRIES, FACILITATING THE EXCHANGE OF INFORMATION AMONG THE IEA MEMBER GOVERNMENTS, AND ESTABLISHING WORKING RELATIONSHIPS WITH RELATED INTERNATIONAL ORGANIZATIONS LIMITED OFFICIAL USE

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SUCH AS THE IAEA.

2. PROMPT IMPLEMENTATION OF THE LEAD COUNTRY PROJECTS IN THE 10 PRIORITY AREAS IDENTIFIED IN THE REPORT OF THE ECG AD HOC GROUP ON R AND D. THIS SHOULD BE A PRIORITY TASK OF THE R AND D GROUP. IT IS GENERALLY AGREED THAT SMALL SOURCES COSTING UP TO \$20 MILLION EACH ARE NEEDED BY ABOUT 1980 AND LARGER SIZES (\$100-200 MILLION) ARE REQUIRED ABOUT FIVE YEARS LATER. THE COMPLEXITY AND EXPENSE OF SUCH SOURCES MAKES THEM A MOST SUITABLE SUBJECT FOR INTERNATIONAL COOPERATION.

THEREFORE, WE PROPOSE ESTABLISHMENT OF AN INTERNATIONAL PANEL, UNDER THE IEA R AND D GROUP DIRECTION TO REVIEW NEUTRON SOURCE DESIGN CONCEPTS AND RELATED ONGOING RESEARCH, AND DEVELOP COOPERATIVE PROGRAMS AND MECHANISMS TO MEET THE DEVELOPMENT NEEDS WITHIN THE APPROPRIATE TIME FRAME. WE PROPOSE THAT THE FIRST MEETING OF THIS PANEL BE HELD IN THE UNITED STATES IN MAY OR JUNE OF 1975. THE UNITED STATES WILL ALSO ORGANIZE AN INTERNATIONAL WORKSHOP ON NEUTRON SOURCES, TO BE HELD AT THE ARGONNE NATIONAL LABORATORY, TO COINCIDE WITH THIS TIME SCALE.

THE DEVELOPMENT OF SUCCESSFUL FUSION DEVICES AND REACTORS ALSO REQUIRES A WEALTH OF ATOMIC, MOLECULAR AND NUCLEAR DATA. THIS IS AN AREA OF FUNDAMENTAL SCIENCE IN WHICH AN INTENSE COOPERATIVE EFFORT DURING THE NEXT 2-5 YEARS COULD PROVIDE THE MOST CRITICAL DATA NEEDED TO NARROW PRESENT TECHNICAL UNCERTAINTIES TO ACCEPTABLE LEVELS. SUCH A SHARED

EFFORT COULD WELL BE DEFINED, PLANNED AND EXECUTED UNDER
THE AUSPICES OF THE IEA.

(B) NUCLEAR REACTOR SAFETY

NUCLEAR POWER WILL BECOME ONE OF THE
MOST IMPORTANT WORLD-WIDE ENERGY SOURCES BY THE END OF
THIS CENTURY. BECAUSE OF THE GROWING NUMBER OF NUCLEAR
POWER PLANTS AND THE DEVELOPMENT OF NEW REACTOR TYPES
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A STEADY EFFORT TO ASSURE THE SAFETY OF NUCLEAR POWER
REACTORS IS REQUIRED. SIGNIFICANT REACTOR SAFETY PRO-
GRAMS ARE UNDERWAY IN MANY COUNTRIES--SIGNIFICANTLY
INCREASED COOPERATIVE EFFORTS COULD ACHIEVE COMMON GOALS
ON A MORE TIMELY SCHEDULE WITH A PROSPECT OF DOING SO AT
LESS TOTAL COST.

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3. INITIATION BY MEMBERS OF THE IEA OF ONE OR
MORE MAJOR JOINT R AND D PROJECTS OF HIGH SCIENTIFIC
AND PRACTICAL IMPACT.

THE ECG AD HOC GROUP ON R & D SUGGESTED A
NUMBER OF PROPOSALS AND PROJECTS FOR R & D COOPERATION
WHICH THE UNITED STATES BELIEVES CAN MAKE SIGNIFICANT
CONTRIBUTIONS TO THE LONG-TERM ENERGY SITUATION. AREAS
OF PARTICULAR INTEREST IN WHICH THE UNITED STATES IS
PREPARED TO BEGIN PROMPTLY TO DEFINE JOINT INTERESTS
AND PROGRAMS INCLUDE THE FOLLOWING:

(A) NUCLEAR FUSION

CONTROLLED THERMONUCLEAR FUSION HAS
THE POTENTIAL OF BECOMING A MAJOR NEW ENERGY RESOURCE.

THE SUCCESSFUL OPERATION OF ANY FUSION POWER PLANT WILL DEPEND, TO A CONSIDERABLE EXTENT, ON THE AVAILABILITY OF SUITABLE WALL AND STRUCTURAL MATERIALS. HIGH ENERGY NEUTRON SOURCES ARE REQUIRED TO TEST SUCH MATERIALS.

THE UNITED STATES REAFFIRMS ITS PREVIOUS PROPOSALS (TO THE ECG AD HOC GROUP) AND INVITES INTERESTED NATIONS TO DISCUSS THEIR PARTICIPATION IN THE COOPERATIVE USE OF MAJOR REACTOR SAFETY R & D FACILITIES EXISTING AND UNDER CONSTRUCTION IN THE UNITED STATES. WE BELIEVE THAT THE LOFT AND POWER BURST FACILITIES AND THE PLENUM FILL EXPERIMENT (PRESENTLY UNDER CONSTRUCTION) IN THE UNITED STATES, TOGETHER WITH REACTOR SAFETY EXPERIMENTAL FACILITIES IN OTHER NATIONS SUCH AS IN SWEDEN AND GERMANY, CAN BE EFFECTIVELY UTILIZED FOR COOPERATIVE ACTIVITIES.

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(C) COAL TECHNOLOGY

COAL REPRESENTS THE MAJOR PART OF THE WORLD'S RESOURCES OF FOSSIL FUELS. THE RECENT CHANGES IN PRICE RELATIVITY OF THE COMPETING FOSSIL FUELS GIVE A FRESH OPPORTUNITY TO COAL; IT IS IMPERATIVE FOR THOSE COUNTRIES WITH INDIGENOUS COAL INDUSTRIES TO GRASP THAT OPPORTUNITY. TECHNOLOGY HAS AN IMPORTANT ROLE TO PLAY, BOTH IN THE SEARCH FOR LOWER PRODUCTION COSTS AND IN THE CREATION OF NEW MARKET OPPORTUNITIES. THERE IS A UNANIMOUS WISH FOR INCREASED R & D COLLABORATION AMONG THE MAJOR COAL PRODUCING COUNTRIES. THE IEA CAN PLAY AN IMPORTANT ROLE IN FOSTERING AND CATALYZING SUCH ACTIVITIES. THE INTERESTS OF THE UNITED STATES IN COOPERATIVE EFFORTS IN COAL RESEARCH ARE BROAD AND RANGE FROM COAL GASIFICATION AND LIQUEFACTION TO UNDERGROUND MINING TECHNOLOGY, COAL PREPARATION AND HYDRAULIC AND HIGH-SPEED BELT TRANSPORT. OUR INTERESTS ALSO INCLUDE, FOR EXAMPLE, LAND RECLAMATION, MINE SAFETY, BASIC SCIENCE AND ENGINEERING, AND DEVELOPMENT OF IMPROVED MATERIALS AND EQUIPMENT FOR USE IN A VARIETY OF OPERATIONS INVOLVING COAL. MAJOR JOINT PROJECTS IN COAL TECHNOLOGY SHOULD BE DESIGNED AND EXECUTED BY IEA MEMBERS.

(D) HYDROGEN

IT IS WIDELY RECOGNIZED THAT HYDROGEN WILL BECOME INCREASINGLY IMPORTANT AS A MEDIUM FOR ENERGY STORAGE AND TRANSMISSION, AND AS A FUEL. PROGRAMS HAVE BEEN INITIATED WORLD-WIDE TO DEVELOP EFFICIENT AND

ECONOMIC METHODS OF PRODUCING HYDROGEN FROM WATER
UTILIZING ENERGY SOURCES OTHER THAN FOSSIL FUELS. THIS
INTERNATIONAL INTEREST PROVIDES AN EXCELLENT OPPORTUNITY
FOR INTERNATIONAL COOPERATION OF SIGNIFICANT BENEFIT TO
ALL PARTICIPANTS. WE PROPOSE THE IEA INITIATE THE
DEVELOPMENT OF A COOPERATIVE PROGRAM WHICH, IN ITS
INITIAL PHASE, SHOULD PROVIDE THE THEORETICAL AND LABOR-
ATORY RESEARCH AND ENGINEERING DEVELOPMENT TO DEFINE THE
TECHNICAL AND ECONOMIC CRITERIA DESIRED FOR THE NEW
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TECHNOLOGY AND TO OBTAIN THE NECESSARY DATA BASE
REQUIRED TO EVALUATE DIFFERENT PROCESSES. IMPORTANT
ADDITIONAL PROGRAMS WILL BE REQUIRED IN THE DEVELOPMENT
OF CORROSION RESISTANT, HIGH TEMPERATURE MATERIALS AND
IN THE DEVELOPMENT OF CATALYSTS. THE UNITED STATES IS
PREPARED TO PARTICIPATE ACTIVELY AND AT AN EARLY DATE
TO INITIATE THE PLANNING FOR JOINT R & D
ACTIVITIES IN THIS INTERESTING ENERGY MEDIUM.

(E) ENERGY SYSTEMS ANALYSIS

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THE MUTUAL INTERDEPENDENCE OF ENERGY
PRODUCTION, CONVERSION, TRANSPORT, STORAGE AND UTILIZA-
TION AS WELL AS THE INTERACTION OF THESE AND THE TECH-
NOLOGIES RELATED WITH QUESTIONS SUCH AS ECONOMICS,
FORECASTING THE SUPPLY AND DEMAND, ENVIRONMENT, THE
AVAILABILITY OF WATER RESOURCES, ETC., CALLS FOR A BROAD
APPROACH AIMING AT TAKING INTO ACCOUNT AND ASSESSING THE
VARIOUS ELEMENTS INVOLVED AND THEIR IMPLICATIONS.
SYSTEMS ANALYSIS PROVIDES A VERY USEFUL TOOL TO BETTER
UNDERSTAND THESE INTERACTIONS AND INTERRELATIONSHIPS
AND TO ASSIST IN DEFINING MEDIUM AND LONG TERM ENERGY
R & D POLICIES. THE PROBLEMS DEALT WITH ARE INTERNA-

TIONAL IN NATURE--THE VARIOUS NATIONAL ENERGY SYSTEMS CANNOT BE DEALT WITH WITHOUT TAKING INTO ACCOUNT THEIR INTERRELATIONS ON A WORLD-WIDE LEVEL.

MULTINATIONAL ENERGY MODELS AND METHODOLOGY SHOULD BE DEVELOPED WHICH CAN BE USED BY ALL PARTICIPATING NATIONS IN THE PREPARATION OF CURRENT AND LONG-RANGE ENERGY SYSTEM MODELS. THE PROJECT WOULD PROVIDE ENERGY MODELS WHICH WILL PERMIT EACH NATION TO EXAMINE VARIOUS STRATEGIES FOR ENERGY ALLOCATION. IT WILL ALSO PROVIDE A FURTHER FOUNDATION FOR THE ALLOCATION AND ASSIGNMENT OF R & D RESOURCES.

WE ARE PREPARED TO PROPOSE A NUMBER OF OTHER SPECIFIC COOPERATIVE PROJECTS IN THE ENERGY SYSTEMS ANALYSIS AREA, ELABORATING ON THE DISCUSSIONS AND SUGGESTIONS MADE IN THE MEETINGS OF THE ECG AD HOC GROUP. THE UNITED STATES IS PREPARED TO PARTICIPATE IN A SET OF COOPERATIVE ENERGY SYSTEMS STUDIES SELECTED TO BE OF MAXIMUM VALUE TO THE INTERESTED PARTICIPANTS.

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D. ENRICHED URANIUM: ONE OF THE MOST IMPORTANT AREAS CONSIDERED BY THE ENERGY COORDINATING GROUP (ECG) WAS THAT OF ASSURING AN ADEQUATE SUPPLY OF ENRICHED URANIUM TO FUEL THE NUCLEAR POWER REACTORS WHICH WILL MAKE A VITAL CONTRIBUTION TO MEETING ENERGY NEEDS THROUGH AT LEAST THE END OF THIS CENTURY. IN THIS CONNECTION, AT THE FINAL MEETING OF THE AD HOC WORKING GROUP ON ENRICHED URANIUM SUPPLY, WHICH WAS ESTABLISHED BY ECG TO EXAMINE THIS MATTER, THE WORKING GROUP CONCLUDED THAT:

"...A MULTI-PRONGED EFFORT SHOULD CONTINUE TO BE MOUNTED AT BOTH COMMERCIAL AND GOVERNMENTAL LEVELS--TO ASSURE THE CONTINUED TIMELY AVAILABILITY OF NUCLEAR FUEL." IN ORDER TO MAINTAIN THE MOMENTUM ALREADY GAINED THROUGH THE EFFORTS OF THE ECG WORKING GROUP, THE UNITED STATES PROPOSES THAT THE IEA ESTABLISH AT THIS TIME A SPECIAL CONSULTATIVE GROUP ON ENRICHED URANIUM SUPPLY. THIS GROUP WOULD CONSIST OF SENIOR OFFICIALS RESPONSIBLE FOR FORECASTING AND EVALUATING THE SUPPLY AND DEMAND ASPECTS OF NATURAL URANIUM, ENRICHING SERVICES, AND RELATED FUEL CYCLE QUESTIONS. THIS GROUP WOULD BE ASSISTED AS APPROPRIATE BY SPECIALIZED GROUPS OF EXPERTS.

AS ITS FIRST TASK, WE WOULD PROPOSE THAT BY DECEMBER 31, 1974, THE GROUP GATHER, COLLATE AND ANALYZE THE LATEST AVAILABLE INFORMATION FOR THE IEA MEMBER STATES

ON (A) SUPPLY AND DEMAND FOR NATURAL URANIUM FEED, TOGETHER WITH PLANS FOR EXPANDING SUCH SUPPLY, (B) SUPPLY OF AND DEMAND FOR ENRICHMENT SERVICES, AND (C) RELATED FUEL CYCLE PLANNING (E.G., CHEMICAL PROCESSING AVAILABILITY AND RECYCLE OF PROCESSED URANIUM AND PLUTONIUM.) WE BELIEVE THAT THESE DATA SHOULD COVER THE LONGEST PERIOD POSSIBLE INTO THE FUTURE; FOR ITS PART, THE US WOULD INTEND TO SUPPLY DATA TO THE YEAR 2000.

THE AD HOC WORKING GROUP ALSO CONSIDERED THE QUESTION OF POSSIBLE AREAS OF INTERNATIONAL COOPERATION INVOLVING URANIUM ENRICHMENT FACILITIES. IT NOTED THAT LIMITED OFFICIAL USE

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THIS AREA HAD IMPORTANT COMMERCIAL IMPLICATIONS AND, WITH THIS CONSIDERATION IN MIND, RECOMMEND THAT "... WHEN COMMON INTERESTS ARE PERCEIVED, APPROPRIATE PARTIES OF THE INTERESTED NATIONS AFTER INITIAL INDICATION OF

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GOVERNMENTAL APPROVAL AND SUPPORT, COULD BEGIN DISCUSSIONS TO EXPLORE THE FULL RANGE OF RELEVANT COMMERCIAL ASPECTS OF URANIUM ENRICHMENT COOPERATION."

WE ARE AWARE OF A NUMBER OF INITIATIVES--BOTH GOVERNMENTAL AND PRIVATE---ALREADY UNDERWAY IN THE AREA OF URANIUM ENRICHMENT AND NEW PROSPECTS APPEAR TO BE DEVELOPING ALMOST WEEKLY. THE UNITED STATES BELIEVES IT WOULD BE DESIRABLE THAT PLANNING INFORMATION ON SUCH PROJECTS, WHETHER PRESENTLY FIRMLY PLANNED OR STILL IN AN EXPLORATORY PROCESS, WHICH CAN BE MADE AVAILABLE WITHOUT REVEALING INFORMATION OF AN ESSENTIALLY COMMERCIAL NATURE, BE ASSEMBLED FOR THE INFORMATION OF THE MEMBERS OF IEA. THE AVAILABILITY OF SUCH INFORMATION COULD SERVE A NUMBER OF PURPOSES, ONE OF THE MOST IMPORTANT OF WHICH MIGHT BE TO FACILITATE THE IDENTIFICATION OF POTENTIAL COMMERCIAL ARRANGEMENTS.

WE THEREFORE RECOMMEND THAT THE PROPOSED IEA SPECIAL CONSULTATIVE GROUP OF ENRICHED URANIUM SUPPLY UNDERTAKE TO COMPILE THIS INFORMATION, ALSO WITH A TARGET SCHEDULE FOR COMPLETION OF DECEMBER 31, 1974. THIS COMPILATION SHOULD INCLUDE INFORMATION ON VARIOUS JOINT STUDY PROJECTS AND FEASIBILITY STUDIES ON URANIUM ENRICHMENT CURRENTLY UNDER WAY OR PLANNED. FOR THOSE PROJECTS ALREADY COMMITTED OR IN THE ADVANCED PLANNING STATE, IT WOULD BE MOST DESIRABLE THAT DETAILED DATA BE INCLUDED ON SUCH ITEMS AS SIZE, SCHEDULE, TECHNOLOGY, ESTIMATED CONSTRUCTION COST AND SOURCES OF FINANCING.

ONCE THESE ESSENTIAL STUDIES ARE COMPLETED, THE CONSULTATIVE GROUP SHOULD PROCEED IMMEDIATELY TO EXAMINE AND PREPARE RECOMMENDATIONS ON THE SCHEDULE ON WHICH FUTURE URANIUM ENRICHMENT FACILITIES SHOULD BECOME AVAILABLE TO MEET THE NEEDS OF IEA MEMBERS AND OTHER LIMITED OFFICIAL USE

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COUNTRIES, HOW THESE FACILITIES CAN BE MOST EFFECTIVELY FINANCED AND WHERE THEY SHOULD BE LOCATED.

III. RELATIONS WITH OIL PRODUCERS

AT THE SAME TIME THAT WE BEGIN OUR IMMEDIATE WORK PROGRAM TO REDUCE DEPENDENCY ON IMPORTED OIL, WE MUST BEGIN A PARALLEL PROGRAM TO STRENGTHEN OUR DIALOGUE WITH THE OIL PRODUCING COUNTRIES AND TO PREPARE FOR THE TIME AT WHICH WE WILL OURSELVES BE PREPARED TO BEGIN ORGANIZED DISCUSSIONS WITH THEM ON THE QUESTIONS OF OIL PRICES AND PRODUCTION LEVELS.

SUCCESS IN OUR OWN COOPERATIVE EFFORT IS OF COURSE FUNDAMENTAL TO THE CREATION OF THE OBJECTIVE CONDITIONS NECESSARY TO MAKE THESE DISCUSSION WITH THE PRODUCERS FRUITFUL. HOWEVER, THERE ARE OTHER STEPS WE SHOULD TAKE TO ACCESS THE BALANCE OF BARGAINING POWER BETWEEN PRODUCERS AND CONSUMERS.

1. CONTINUING ANALYSIS OF THE WORLD OIL MARKET. NATIONAL EXPERTS SHOULD MEET THIS MONTH TO START THE TYPE OF CAREFUL ANALYSIS OF SHORT AND MEDIUM TERM MARKET TRENDS WHICH WE CONDUCTED EARLIER THIS YEAR IN THE ECG.

2. EXAMINATION OF OPEC'S EFFECTIVENESS AS A CARTEL. WE SHOULD ALSO UPDATE OUR EARLIER ASSESSMENT OF OPEC'S FUTURE ABILITY TO MAINTAIN ARTIFICIALLY HIGH PRICES ON THE MEDIUM TERM.

THE COMMITTEE ON PRODUCER CONSUMER RELATIONS SHOULD
BEGIN IMMEDIATELY TO CONSIDER TIMING AND NECESSARY
PREPARATION AS WELL AS THE POSITION CONSUMERS MIGHT TAKE
AT THE PROPOSED PRODUCER/CONSUMER MEETING.
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